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**From:**

**Sent:** Tue 7/22/2008 9:20 PM

**To:**

**Cc:**

**Subject:** RE: Quick TEFRA question

The small partnership exception only applies if all of the partners are natural persons, C corporations or estates. There can be no pass-thru entities as partners. A grantor trust would make the partnership ineligible for the small partnership exception, and thus, would be subject to the TEFRA partnership provisions. The same is true for a disregarded LLC.